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Chief Executive Officer

July 5, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
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Supervisor Zev Yaroslavsky
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From: William T Fujioka
Chief Executive Officer

FY 2011-12 STATE BUDGET ACT ANALYSIS

Overview

On June 30, 2011, Governor Brown signed the FY 2011-12 State Budget Act which addresses the remaining $9.6 billion deficit. The $86.0 billion budget package and related budget trailer bills were adopted by the Legislature on a majority vote with no Republican support.

As previously reported, on June 16, 2011, the Governor vetoed the previous $89.7 billion budget plan approved by the Legislature stating that it did not provide a balanced solution, continued budget deficits, added billions of dollars of new debt, and contained legally questionable maneuvers, costly borrowing, and unrealistic savings. The Governor continued to negotiate with the Republican Leadership for support of his proposal to seek voter approval to extend $8.6 billion in tax increases for five years to fund his Realignment Proposal and K-12 education in exchange for pension reform, regulatory changes and a State spending cap. However, after failing to achieve Republican support, the Governor negotiated a revised budget plan with the Democratic Leadership which: 1) includes additional budget reductions; 2) redirects State sales taxes and Vehicle License Fee revenues to fund public safety programs and the realignment health and human services programs from the State to counties; 3) assumes $4.0 billion in increased revenue; and 4) and imposes triggered reductions if the revenue projections do not materialize by January 2012.

In signing the budget, Governor Brown indicated that he intends to place an initiative on the November 2012 ballot to seek voter approval to constitutionally protect funding for public safety realignment, supplement State revenues to restore funding for education, and balance the State Budget in the future. On June 30, 2011, the Governor vetoed $268.0 million primarily from special funds and bonds for business, transportation and housing.

As reported in the March 28, 2011 Sacramento Update, the Governor and the Legislature enacted $11.2 billion in budget solutions earlier this year which included major reductions to health and human services programs. The final FY 2011-12 State Budget Act contains $12.7 billion in additional solutions to address the remaining budget deficit consisting of: 1) additional expenditure reductions ($5.9 billion); 2) majority-vote revenues ($500.0 million); 3) updated revenue assumptions, including current-year revenue ($5.6 billion); and 4) special fund revenues ($700.0 million).

Estimated County Impact

Based on a preliminary analysis of the information available, the final FY 2011-12 State Budget Act will result in a County loss of approximately $363.3 million in FY 2011-12.

Attachment I illustrates the impact of the State Budget actions enacted in March 2011, the Governor's May Revision proposals, legislative actions and the FY 2011-12 Final State Budget Act.

Attachment II is a detailed analysis of the FY 2011-12 State Budget items of interest to the County.

Major Funding Reductions

- **Proposition 98.** Includes $3.0 billion in deferred Proposition 98 funding for K-12 education.

- **University of California and California State University System.** Includes an additional $300.0 million reduction.

- **Court Construction.** Achieves a $310.0 million in savings through a one-year pause in court construction projects.

- **Trial Courts.** Proposes an additional $150.0 million reduction for court operations.

- **Division of Juvenile Justice.** Reduces funding by collecting $72.0 million in sliding scale fees paid by counties for commitment to Division of Juvenile Justice.

Major Revenue Solutions

- **Revised Revenue Estimates.** Assumes the current revenue trends will generate approximately $4.0 billion above the estimates in the Governor's May Revision.

- **Vehicle License Fee.** Increases the basic vehicle license registration fee by $12.00 to fund the Department of Motor Vehicles administrative functions for a State General Fund savings of $300.0 million and directs this funding to local public safety realignment.

- **On-line Sales Tax Enforcement.** Requires on-line retailers to collect State sales taxes for estimated revenue of $200.0 million.

- **Fire Suppression Fee.** Requires the Board of Forestry to establish a State Responsibility Area Fee of up to $150 per structure to cover some State costs for providing fire suppression services on privately-owned lands for estimated revenue of $50.0 million.

Triggered Reductions

The State Budget authorizes the Director of the Department of Finance to make up to $2.5 billion in additional expenditure reductions beginning in January 2012 if the $4.0 billion in additional revenue collections fall short of projections. The reductions would be implemented in three tiers as follows:

- **Tier 0 -** No reductions if the State receives $3.0 billion to $4.0 billion in additional revenue.

- **Tier 1 -** Reductions of approximately $600.0 million to the State Universities, In-Home Supportive Services, child care, public safety and other programs if the State receives $2.0 billion to $3.0 billion.

- **Tier 2 -** Reductions of up to $2.0 billion to education, plus Tier 1 reductions, if the State receives $0 to $2.0 billion.

Public Safety Realignment

The State Budget provides $5.5 billion to fund the Governor's Realignment Proposal which would transfer fiscal responsibility for various public safety, mental health, substance abuse treatment, child welfare services, foster care and adult protective services from the State to counties. The Realignment Plan will be funded by redirecting 1.06 percent of the existing State sales tax ($5.1 billion), and a portion of Vehicle License Fee (VLF) revenues ($453.0 million) from the State to counties. **This action fully funds $500.0 million for local public safety programs previously funded by the additional 0.15 percent increase to the VLF which expired on June 30, 2011. However, the budget plan does not provide constitutional protections to counties for the realigned programs.** As previously noted, Governor Brown proposes to place an initiative on the November 2012 ballot to seek voter approval for this constitutional protection. We will provide your Board with a separate analysis of the Public Safety Realignment.

The State Budget also contains changes to implement AB 109, the Public Safety Realignment Budget Trailer bill enacted in March 2011, including:

- Outlines the financial structure for allocation of funds for realignment with the County share of 31.8 percent.
- Delays implementation of AB 109 from July 1, 2011 to October 1, 2011.
- Changes the membership of the local Community Corrections Partnership (CCP) executive committee to remove a county supervisor or the chief administrative officer for the county and the head of the county department of social services. With these changes the executive committee of each county's CCP would be: chief probation officer (chair); chief of police; sheriff; district attorney; public defender; presiding judge or his or her designee; and county department head, as identified in the CCP.
- Requires counties to notify the California Department of Corrections and Rehabilitation by August 1, 2011 which county agency has been designated as the local entity responsible for providing post release community supervision.

Phase-out of Redevelopment Agencies

The State Budget assumes $1.7 billion in State General Fund savings from the phase-out of Redevelopment Agencies by suspending various RDAs activities and prohibiting agencies from incurring indebtedness upon adoption of this legislation. RDAs and community development commissions would be dissolved effective October 1, 2011. Successor agencies would be required to continue to make all scheduled payments for enforceable obligations.

The budget establishes the Alternative Voluntary Redevelopment Program, whereby RDAs would be authorized to continue to exist and carry out redevelopment activities, as specified, upon the enactment of an ordinance by a city or county by November 1, 2011. A participating city or county would be required to make specified remittances to the county auditor-controller for deposit into a Special District Allocation Fund and into a county Educational Revenue Augmentation Fund.

Cities and counties with an RDA that opt into the program would continue in existence and receive their full amount of tax increment revenue by agreeing to make annual payments to the county auditor-controller to be distributed primarily to school districts serving the community. State subsidies for redevelopment activity would be reduced; however; projects that meet State goals and priorities would be able to receive larger subsidies through reductions in the city and county payment.

We will continue to keep you advised.

WTF:RA
MR:VE:IGEA:lm

Attachments

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

Attachment I

ESTIMATED IMPACT TO LOS ANGELES COUNTY FROM THE FY 2011-12 STATE BUDGET PROPOSALS

	(A) March 2011 Adopted State Budget	(B) Governor's May Revision Proposals	(C) Final Approved Budget	(A+B+C) Overall Potential County Impact
Health				
Medi-Cal Provider Payments Reduction	(10,000,000)	0	0	(10,000,000)
Medi-Cal Share of Cost for Services	(10,000,000)	0	0	(10,000,000)
Medi-Cal Waiver	0	(12,000,000) (1)	0	(12,000,000)
Medi-Cal Managed Care Plan Reduction	0	(12,000,000)	0	(12,000,000)
Mental Health				
Redirection of Mental Health Services Act Funds (2)	(241,100,000).	0	0	(241,100,000)
Social Services				
CalWORKs Single Allocation Proposals	(129,800,000)	24,000,000	15,300,000	(90,500,000) (3)
CalWORKs Program Reductions	5,198,000	(648,000)	0	4,550,000
IHSS Program Reductions	55,100,000 (4)	0	(23,700,000) (5)	31,400,000 (5)
LEADER Replacement System Suspension	0	(26,200,000)	14,000,000	(12,200,000)
Child Support Services Collections Suspension	(10,800,000) (6)	0	0	(10,800,000)
Senior Employment Program Reduction	(1,100,000) (7)	0	0	(1,100,000)
Foster Care Rate Increase	0	(4,970,000)	(3,016,000)	(7,986,000)
Public Safety				
Community Corrections Performance Incentive Grants (SB 678)	0	28,600,000	0	28,600,000
General Government				
Delay of Deferred Mandate Payments (Prior to FY 2004-05)	0 (8)	(12,900,000) (8)	0	(12,900,000)
Suspension of Most SB 90 Mandate Claims	0 (8)	(5,800,000) (8)	0	(5,800,000)
Public Library Funds	0 (8)	(1,000,000) (8)	0	(1,000,000)
Elimination of State Funds for Military and Veterans Programs	0	(360,000)	0	(360,000)
Agricultural Commissioner/Weights and Measures	0 (8)	(500,000) (8)	400,000	(100,000)
TOTAL	**($342,502,000)**	**($23,778,000)**	**$2,984,000**	**($363,296,000)**

Notes:

(1) According to the Department of Health Services, the cost to the County from this proposal could range from $0 to $12.0 million.

(2) Estimate reflects the redirection of funds that would have been available to the County for Proposition 63 mental health services.

(3) Estimate reflects Single Allocation reduction carried over from 2010 State Budget Act ($114.2 million) and new Single Allocation reduction ($15.6 million), the May Revision proposal to increase Single Allocation ($24.0 million) and the Budget Committees' proposed restoration of CalWORKs Single Allocation ($15.3 million).

(4) IHSS Program Reductions include savings from: Elimination of services for recipients without physician certification and increase in FMAP from Community First Choice Options. Savings from Medication Dispensing Pilot Project is unknown at this time.

(5) Estimate reflects revised County impact based on updated information regarding Community First Choice Options and our independent caseload data (not the State's caseload data). Therefore, total IHSS program reduction would result in estimated net County savings of $31.4 million, decrease of $23.7 million from previously reported $55.1 million.

(6) Estimate reflects $3.62 million in State recoupment collections and Federal match of $7.2 million.

(7) Estimate reflects one-time only Federal funding, resulting in the elimination of about 115 slots for employment services for seniors.

(8) Represents proposals that were previously approved by the Legislature as part of SB 69 (Leno) and various Trailer Bills but were not signed by the Governor.

This table represents the estimated loss/gain of State funds based upon the FY 2011-12 State Budget actions. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.

FY 2011-12 STATE BUDGET ACTIONS OF COUNTY INTEREST

Health

Medi-Cal Managed Care Plan Reduction. The Final Budget Act reduces the State's share of Intergovernmental Transfers by $34.2 million due to increased reimbursements received from the county Medi-Cal managed care plans and to assess a fee equal to 20 percent of the transferred funds. **The Department of Health Services (DHS) estimates that this proposal would cost the department approximately $12.0 million in FY 2011-12.**

Medi-Cal Waiver. The Final Budget Act achieves $95.2 million in savings by identifying additional options for the State to claim 1115 Medicaid Waiver funds. The State Department of Health Care Services indicates that the recently approved Waiver provides for up to $400.0 million in potential savings to the State annually. **DHS indicates that it cannot calculate the impact until cost reports for FY 2010-11 are finalized by all public hospital counties. However, DHS estimates that the impact to the County could be up to $12.0 million.**

Healthy Families Shift to Medi-Cal. The Final Budget Act shifts Healthy Families children to the Medi-Cal Program beginning January 1, 2012, and implements an earlier Medicaid expansion for children up to 133.0 percent of the Federal Poverty Level (FPL) required under Federal health care reform. To the extent possible, children would be mandatorily enrolled into Medi-Cal managed care plans and to the extent that such plans are not available, benefits will be provided under Medi-Cal fee-for-service arrangements. **The Department of Public Health (DPH) indicates that the programmatic shift will not have a direct impact on DPH; however, some contracted programs could see increased demands for case management and other services. DHS is unable to determine the exact impact at this time but expects it to be minimal.**

The Department of Public Social Services (DPSS) estimates that approximately 86,966 children in Los Angeles County currently enrolled in the Healthy Families Program, who are under 150 FPL, would transition to Medi-Cal during the initial six-month phase. **This policy change will result in an additional $1.84 million in State General Funds and Federal matching funds to the County for the Medi-Cal administration costs. Costs to administer the Medi-Cal program are fully funded by the State and Federal funds; therefore, there is no net County cost associated with this proposal.**

The Department of Mental Health (DMH) indicates that this action may result in a significant cost to the County. We will continue to work with the Department to determine the County impact.

Hospital Provider Fee. The Final Budget Act achieves $320.0 million in State savings to the Medi-Cal program by extending the Hospital Provider Fee for one year through June 30, 2012. **DHS indicates no impact to the Department; however, the State will continue to receive $80.0 million per quarter from the Hospital Provider Fee.**

Immunization Funding Partial Restoration. The Final Budget Act allocates $7.3 million in increased State General Fund support for a partial restoration of immunization funding. This increase would restore funding for influenza vaccine purchases for local health departments to provide flu vaccinations for the elderly and other at-risk Californians. **DPH estimates that this proposal would increase the County's funding allocation for the influenza vaccine for the FY 2012-13 flu season.**

Licensing and Certification Contract Extension for the County. The Final Budget Act extends the licensing and certification contract with Los Angeles County for one year. During this timeframe, the State Department of Public Health will decide whether to maintain this arrangement with the County or transfer this function to the State. **DPH indicates that this proposal continues an existing agreement and no adverse impact is anticipated.**

Mental Health

AB 3632 Mental Health Services. The Final Budget Act shifts AB 3632 mental health services from counties to schools, and provides an increase of $221.8 million from the State General Fund to shift the responsibility, including out-of-state residential services. The budget also permanently repeals the AB 3632 mandate on counties and removes the AB 3632 Program from the January Realignment Proposal. DMH indicates that this action reinforces the Federal mandate that schools bear the responsibility for the mental health services provided to Seriously Emotionally Disturbed (SED) children and notes that counties have not been consistently reimbursed by the State for providing these mental health services.

The budget also includes a $68.0 million reduction in FY 2011-12 to reflect the shift in responsibility of funding for SED residential care placements from the State Department of Social Services to schools. **The Department of Children and Family Services indicates that the County's share of the $68.0 million statewide decrease is $18.4 million, which includes a $10.6 million County match to draw down this State revenue.**

Social Services

CalWORKs Grant Reductions. The Final Budget Act rescinds provisions in SB 72 (Chapter 8, Statutes of 2011), the Human Services Budget Trailer Bill, which reduced CalWORKs grants of up to 15 percent for children who have received cash assistance for more than five years.

CalWORKs Single Allocation Reduction. The Final Budget Act restores $50.0 million to the CalWORKs Single Allocation made in SB 72 (Chapter 8, Statutes of 2011), the Human Services Budget Trailer Bill, for a revised statewide reduction to the CalWORKs Single Allocation of $377.0 million. The CalWORKs Single Allocation funds eligibility administration, employment services, CalWORKs Stage One Childcare, and Cal-LEARN. **According to the Department of Public Social Services, this action would result in a restoration of approximately $15.3 million in Single Allocation funding in FY 2011-12, with an estimated net County loss of $90.5 million.**

In-Home Supportive Services (IHSS) Anti-Fraud Initiatives. The Final Budget Act retains $10.0 million in State funding for county IHSS Anti-Fraud Initiatives.

In-Home Supportive Services (IHSS) Program. We had previously reported that the March 2011 Budget Act included $486.1 million in State General Fund reductions to the IHSS Program which resulting from the elimination of services for recipients without a physician certification, savings achieved through caseload adjustments, and savings achieved through the expected Federal approval of the new Community First Choice Options. Based on information available at that time, DPSS estimated that these actions would result in an estimated County savings of $55.1 million. Based on additional information, DPSS now estimates that this action would **result in a revised estimated County savings of $31.4 million.**

LEADER Replacement System (LRS). The Final Budget Act rejects the Governor's May Revision proposal to indefinitely suspend the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) replacement system for a State General Fund savings of $26.2 million and instead approves a six-month delay in the development of the LEADER replacement system. **According to DPSS, this action will result in approximately $14.0 million in State funding to begin development of the LEADER Replacement System in January 2012.**

CalFresh County Administration. The Final Budget Act increases statewide funding for county administration of CalFresh by $47.7 million including $17.2 million in State General Funding. **According to DPSS, the County may receive its estimated $4.8 million share of the proposed State General Fund increase, as well as the corresponding Federal share of $4.8 million, for a total increase to the County of $9.6 million.**

Foster Care Rate Increase. The Final Budget Act increases funding for foster care family home rates in FY 2011-12, as well as prospective Adoption Assistance Payment, Kinship Guardianship Assistance Payment (Kin-GAP), and Non-Related Legal Guardian payment rates, pursuant to the May 27, 2011, court decision on *Foster Parent Association v. William Lightbourne, et al,* by a total of $66.9 million which would be allocated as follows: $26.6 million (Federal), $17.4 million (State), and $22.7 million (counties). **Based on additional information from the May 27, 2011 court decision, the Department of Children and Family Services estimates that the rate increase for foster care family homes would increase County costs by an estimated**

$7.98 million in FY 2011-12, not including the impact on prospective Kin-GAP and Adoption Assistance Payment cases. Furthermore, the impact on waiver counties could be greater if the Federal government does not adjust the County's capped waiver allocation to finance the Federal share of the rate increase.

Child Care and Development Programs. The Final Budget Act restores $200.0 million in child care and development programs reductions enacted in the March 2011 State Budget including: 1) restores child care services for 11 and 12 year old children in traditional hours; 2) restores the Standard Reimbursement Rate 10 percent reduction; 3) rescinds the 10 percent family fee increase, and 4) reduces the across-the-board reductions in child care services from 15 percent to 11 percent.

Proposition 10. The Final Budget Act does not include the one-time shift of $1.0 billion in State and local California Children and Families First Act (Proposition 10) Commissions reserve funds to support Medi-Cal services for children from birth to 5 years of age.

Public Safety

Community Corrections Performance Incentive Grants (SB 678 of 2009). The Final Budget Act provides an increase of $30.0 million, for a total allocation of $89.0 million in FY 2011-12, for the California Community Corrections Performance Act. The act established a system of performance-based funding that share State General Fund savings with county probation departments when they demonstrate success in reducing the number of adult felony probationers going to State prison for committing new crimes or violating the terms of probation. The Governor notes that as of May 2011, 6,200 felony probationers were successfully kept out of State prison because of this program. **The Probation Department estimates that the County will receive approximately $28.6 million in FY 2011-12 and $7.1 million in FY 2012-13 for Performance Incentive Grants for a total of $35.7 million total earned in the 2010 performance year.**

General Government

State Mandates. The Final Budget Act suspends $233.5 million in mandate payments not related to law enforcement or property taxes. Additionally, the budget maintains the deferral of $94.0 million for costs incurred by local governments prior to FY 2004-05. The Auditor-Controller estimates that based on ongoing State audits, **the current deferral of mandate payments would result in an estimated County loss of $12.9 million, and the suspension of State mandates would result in an estimated County loss of approximately $5.8 million.**

Military and Veterans Programs. The Final Budget eliminates State support for County Veterans Services Offices (CVSOs) and Operation Welcome Home for a savings of $9.9 million. CVSOs assist veterans in receiving Federal benefits. Operation Welcome Home provides services, such as job placement, housing, health care and assistance with the transition into civilian life for veterans returning from the wars in Iraq and Afghanistan. Additionally, the department would be impacted as follows: 1) elimination of five Veteran Benefit Counselors and one Intermediate Typist Clerk; 2) increasing the County-wide ratio of veterans to counselor from 23,500:1 to 36,000:1; 3) loss of Federal funding due to unfiled veteran compensation claims; 4) closing the College-Fee Waiver Program; 5) closing the Section 8 Housing Program; and 6) reductions to veteran outreach programs. **The Department of Military and Veterans Affairs indicates that this proposal would result in an estimated County loss of $360,000 for services to veterans and a potential loss of $60,000 in Proposition 63 funding to provide mental health services for veterans.**

Public Library Funds. The Final Budget Act restores $15.2 million in funding for the Public Library Foundation, California Library Literacy and English Acquisition Services, and the California Library Services Act. **The Public Library indicates that this proposal would result in an estimated net County loss of approximately $1.0 million which is used to purchase books and other library materials.**

<u>Environment and Natural Resources</u>

State Responsibility Area Fees. The Final Budget Act requires the Board of Forestry to establish a fire prevention fee of up to $150 per structure within State responsibility areas for a State General Fund Savings of $50.0 million. **We are working with the Fire Department to determine the impact to the County.**

Department of Food and Agriculture Baseline Reduction. The Final Budget Act reduces funding for the California Department of Food and Agriculture (CDFA) by $15.0 million. **According to the Department of Agricultural Commissioner/Weights and Measures (ACWM), based on the department's recent negotiations with CDFA, this reduction would result in an estimated net County loss of $100,000,** which is a decrease of $400,000 from the previously reported estimated net County loss of $500,000, due to the repeal of AB 1896 of 2004, which requires ACWM to staff year-round programs that are under an agreement with CDFA with permanent employees and provides corresponding supplemental funding, and a reduction to the High Risk Pest Exclusion funding. ACWM indicates that the majority of any revenue decrease would likely impact the High Risk Pest Exclusion funding.

Exposition Park/California Science Center. The Final Budget Act reduces State General Fund support to the California Science Center by $1.7 million. The Governor vetoed provisions which would have prohibited the California Science Center from using funds for positions at the Office of Exposition Park Management, including the Exposition Park Manager and necessary security positions.

The Natural History Museum indicates that it has not had confirmation that the previously referenced off-set in State General Fund cuts, through an $850,000 additional annual non-State General Fund transfer (bringing the total transfer to approximately $2.5 million), has been specifically included in the legislatively approved budget. However, the NHM presumes that it will happen either through the budget language or through implementation of the budget by the Department of Finance because this has occurred in the prior budget proposals and there have been no other proposals from the California Science Center or legislature as to how to address the State General Fund cut.

State Parks Reduction. The Final Budget Act reduces State General Fund support for the California Department of Parks and Recreation (CDPR) by $11.0 million in FY 2011-12. On May 13, 2011, CDPR issued a list of State parks to be closed as a direct result of the State Budget cuts proposed by the Governor and passed by the Legislature in March 2011. The list contains 70 parks to be closed which is approximately 25.0 percent of the entire State Park System of 278 State parks. CDPR indicates that the State park closures are necessary to achieve the reductions in the budget year and in FY 2012-13. According to CDPR, the closure of 70 State parks will retain at least 92.0 percent of statewide attendance, preserve 94.0 percent of existing revenues and keep 208 State parks open to the public.

Five of the 70 State park units operated by CDPR scheduled to close are located in Los Angeles County. The affected State parks are: 1) Antelope Valley Indian Museum; 2) Los Encinos State Historic Park; 3) Pio Pico State Historic Park; 4) Saddleback Butte State Park; and 5) Santa Susana Pass State Historic Park. The Departments of Beaches and Harbors and Parks and Recreation indicate that the closure of State park units operated by CDPR may have an undetermined indirect impact on County-operated park and beach facilities and may result in increased attendance at these County facilities.

Economic Development

Redevelopment Agencies. The Final Budget Act includes **ABX1 26** and **ABX1 27**, the two-bill redevelopment trailer bill package, which eliminates Redevelopment Agencies (RDAs) unless cities and counties elect to participate in the Alternative Voluntary Redevelopment Program and provides a $1.7 billion in State General Fund savings in FY 2011-12. The Governor indicates that this will reduce the State's Proposition 98 State General Fund costs in FY 2011-12 by a commensurate amount. RDAs whose establishing cities or counties do not agree to make voluntary payments will shut down pursuant to ABX1 26. If an RDA is shut down, any property tax remaining after its debt service payments and allowable administrative costs will be distributed to cities, counties, special districts, and K-14 schools. Major provisions of the two-bill package are outlined below.

ABX1 26 - Phase-out of Redevelopment Agencies

- Dissolves RDAs and community development commissions effective October 1, 2011. Community development commissions would retain authority in its capacity as a housing authority or for any other community development non-redevelopment purpose.

- Allows property tax revenues that went to former RDAs to be used to continue pass-through payments to schools and local governments, to fund outstanding former RDA debt and other enforceable obligations, and to provide funding for education and local governments.

- Requires successor agencies to continue to make all scheduled payments for enforceable obligations, to create and administer a Redevelopment Obligation Retirement Fund, and to expeditiously wind down the affairs of RDAs.

- Designates a seven-member oversight board to approve and direct the actions of the successor agencies. The oversight board would include one member appointed by a county board of supervisors and a member of the public appointed by the county board of supervisors. Subjects oversight board actions to the review of the Department of Finance.

- Requires a county auditor-controller to create and administer a Redevelopment Property Tax Trust Fund for property tax revenues related to the each former RDA, to complete a financial audit of each RDA in the county by March 1, 2012, to provide a copy of all audits to the State Controller by March 15, 2012 and to report sums of property tax revenues as specified to the State Controller and the Department of Finance by October 1, 2012.

- Requires unencumbered RDA funds to be conveyed to the county auditor-controller for distribution to local taxing entities, including cities, counties, a city and county, school districts and special districts.

ABX1 27 - Alternative Voluntary Redevelopment Program

- Authorizes RDAs to continue to exist and carry out redevelopment activities, as specified, upon the enactment of an ordinance by a city or county by November 1, 2011.

- Requires that a city or county agree to remit revenues to school entities and special districts as a precondition to continue redevelopment.

- Sets the calculation of the voluntary payments required to be made by participating cities and counties to the county auditor-controller for deposit into a Special District Allocation Fund and into a county Educational Revenue Augmentation Fund.

- Bases the required amount of payment on the RDA's proportionate share of statewide net tax increment, calculated as an average of gross allocations and allocations net of pass-through obligations.

- Allows a city or county to use any available funds not otherwise obligated to make payments to the county auditor-controller. In particular, a city or county electing the payment could enter into an agreement with its RDA whereby the RDA would transfer a portion of its tax increment, not to exceed the required annual remittance, to the sponsor city or county, thus offsetting the payment.

- Allows the auditor-controller to charge a city or county a fee that does not exceed the reasonable costs of the auditor-controller to implement this measure.

- If a city or county fails to make the voluntary payment required, the RDA would become immediately subject to ABX1 26. These provisions would affect cities and counties that elect to participate and maintain compliance in the Alternative Voluntary Redevelopment Program.

The Chief Executive Office (CEO) Operations Cluster indicates that there are currently 315 redevelopment project areas within the County. The CEO estimates that the County represents 25.0 percent of the statewide RDAs and the County's General Fund current share of property tax revenue is approximately 29.0 to 40.0 percent. **The County's current loss to community redevelopment agencies (net of pass-through payments) is approximately $530.8 million, including $452.7 million to the County General Fund; $51.3 million to the Fire District; $18.3 million to Flood Districts; and $8.5 million to the Public Library District. In general, the diversion of tax increment from RDAs to the local taxing entities would significantly benefit the County General Fund, Fire, Flood and Public Library Districts.**

County Counsel indicates that although these bills do not extend the time to divert tax increment of redevelopment projects which participate in the Alternate Voluntary Redevelopment Program, enactment of extensions for RDAs was reportedly promised by Senator Pro-Tem Steinberg when these bills were debated on the Senate Floor. According to the CEO Operations Cluster and County Counsel, any such extensions would have a significant negative fiscal impact on the County and other local taxing entities. County Counsel also indicates that the validity of project extensions (pursuant to a 2009 law) is under legal challenge.

The Community Development Commission (CDC) indicates that AB X1 26 would allow the CDC to retain its authority to continue the administration and operation of non-redevelopment programs. CDC also indicates that ABX1 27 would allow RDAs to avert dissolution pursuant to ABX1 26 if they perform certain tasks and agree to make specified payments to stabilize schools funding in communities. **According to CDC, initial estimates indicate that the CDC could face a possible $1.86 million payment in FY 2011-12 and $437,000 in FY 2012-13 and in all subsequent years.**